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STABILITY OF THE SOVIET SATELLITE STRUCTURE

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 19 February 1957. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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STABILITY OF THE SOVIET SATELLITE STRUCTURE

THE PROBLEM

To estimate the prospects for stability in the Soviet Satellite structure over the next few years.

CONCLUSIONS

1. The long-latent conflict between Soviet interests and Satellite aspirations exploded into crisis last fall as a result of the progressive weakening of ideological authority and loosening of police controls following the death of Stalin. The Soviet leaders are experiencing great difficulty in formulating and putting into effect policies which will reduce this crisis to manageable proportions. *(Paras. 8, 12)*

2. We believe that the USSR will continue to regard the Satellite area as vital to its interests, and will not seriously entertain, at least for the next several years, the possibility of a general political or military withdrawal, even in return for a withdrawal of US forces from Europe. To the Soviet leaders, loss of control over Eastern Europe would constitute a severe setback for Communism. They would also view it as rendering them powerless to prevent German reunification, and as seriously impairing the USSR's strategic position. *(Paras. 11, 27)*

3. We believe that the Soviet leaders have concluded from the events of recent months that although reforms in certain fields were acceptable, concessions to nationalist pressures involve hazards to Soviet control. They apparently intend for some time to come to put primary emphasis on the internal security of the Satellite regimes and on Soviet control over them. *(Para. 29)*

4. Poland's success in maintaining its present limited degree of independence is a key factor affecting the future political developments in Eastern Europe. Should the USSR succeed in reimposing its complete control over Poland, it could more easily check dissident elements in other Satellites, particularly disruptive forces in the other Satellite Communist parties. If the USSR does not achieve its aim in Poland, its problems elsewhere will probably worsen. *(Para. 49)*

5. We believe that the Soviet leaders will try to undermine the special status which the Gomulka regime in Poland has acquired. However, the costs and risks of a military intervention would be great. Such action would almost certainly be

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resisted by the bulk of the Polish nation and armed forces, and thus involve Soviet forces in large-scale military operations, which could spread to East Germany and thus provoke a major international crisis. *(Paras. 31–33)*

6. Soviet success in repairing its losses in Poland, however, would not remove the underlying causes of disaffection throughout the Satellites. Tensions between the Satellite populations and their regimes during the next several years probably will be higher than prior to the events in Poland and Hungary, and the unity of Satellite parties will be subjected to greater strains. Soviet policy is not likely to reduce these tensions in Eastern Europe, or even to restore the degree of acquiescence prevailing earlier. *(Paras. 47–49)*

DISCUSSION

NATURE OF THE PROBLEM

7. The political stability of Communist regimes in the Satellite area depends upon the interplay of a variety of factors. The most basic of these are the nature and degree of the pressure applied by the USSR on behalf of its interests in the area, and the degree of success attained by the local regimes in either controlling opposition forces or winning popular acceptance. Popular attitudes, in turn, depend on the extent to which the regimes can fulfill the strong popular aspirations for greater political and economic freedoms, national independence, and improved standards of living. Satellite expectations regarding Western policy also play a part. All these factors were at work in the crisis of recent months, will continue to be present, and must be taken into account in assessing the future prospects for Satellite political stability.

SOVIET POLICY TOWARD THE SATELLITES

8. Basically it was the conflict between Soviet interests in the Satellites and the national aspirations of the individual countries which gave rise to the recent crisis in the Satellite area. The immediate cause of the crisis was the simultaneous weakening of ideological authority and loosening of police controls following the death of Stalin. These moves gave rein to opposition forces, the strength and determination of which were apparently underestimated by the Soviet leaders. The downgrading of Stalin was probably undertaken primarily with a view to internal Soviet conditions. On the other hand, the rapprochement with Tito was designed, as was the guarded endorsement of "separate roads to socialism," for foreign policy aims outside the Bloc. Insofar as the Soviet leaders considered the consequences of these moves within the Satellites, they apparently believed that these could be turned to their own advantage or at least contained. Accompanying moves to curb the excesses of police terrorism were probably intended actually to broaden popular support for the Satellite regimes and to stimulate initiative and productivity.

9. Instead, the deterioration of Soviet authority and security controls in the Satellites weakened the prestige and the cohesiveness of some of the Satellite ruling groups and encouraged the emergence of nationalist, anti-Stalinist, and reformist tendencies within certain elements of the Satellite Communist parties. Intellectuals, workers, youth, and other discontented groups among the population felt it possible to speak out more openly against regimentation, economic burdens, and other grievances. These forces led to uneasiness throughout the Satellite area, to a breakdown of party unity and open expression of anti-Russian feeling in Poland and Hungary, and, in the latter, to outright rebellion against the Communist system.

10. The upheavals in two Satellites and rumblings in others were not the result of organ-

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ized resistance, which had become virtually impossible under Satellite police-state rule. Varying degrees of relaxation permitted by the regimes and their moderation of certain previous police-state practices led to a more open and spontaneous expression of reformist and even of some anti-Soviet sentiment, especially after the Soviet downgrading of Stalin. Even then, this occurred primarily among Communist party members; only in Poland and Hungary did wide segments of the basically anti-Communist population eventually become involved. With the probable exception of Hungary, there is at present no known widespread organization of antiregime forces in the Satellites; articulate opposition has been largely confined to reformist elements within the Communist parties, the state bureaucracy, and semiofficial organized groups such as journalists, artists, students, and trade unionists. So long as the Satellite leaderships remain united, maintain police controls, and stay closely aligned to Moscow, reformist sentiment can only express itself in cautious advocacy of the need for national variations from the Soviet pattern, and cannot openly attack Communist institutions as such. Developments in Poland and Hungary showed that when a Communist regime permits the public expression of nationalist points of view, the resulting agitation can rapidly transform itself into political demands which are essentially anti-Communist, especially if the regime is divided and indecisive.

11. We believe that the Soviet leaders are determined to maintain their domination of the Satellite area. This determination continues despite their awareness of the potential strength of opposition forces and their reappraisal of the costs, especially in international prestige, of maintaining control forcibly, particularly in situations of open revolt. In the Soviet view, there are probably three main considerations which make control of the area vital:

a. The USSR's political and ideological investment in the myth of Communism's successful world advance is so great that defection from the "socialist camp" of any Satellite (except possibly Albania) would represent a severe setback for the world Communist movement. Such a defeat, especially if followed by uprisings in other Satellites, would not only impose severe handicaps on Soviet foreign policy everywhere, but would arouse Soviet fears of Western moves to exploit the situation. Even worse, it would probably give rise to unrest in the USSR itself which might lead to a challenge to the authority of the Soviet regime.

b. The Satellite area must continue to be available for Soviet military uses. Even if the Soviet leaders came in time to believe that they no longer needed to maintain large Soviet forces there to oppose a ground invasion or to mount offensive action, they would still insist on use of the area for Soviet air defense. They would almost certainly believe that they could not count upon the availability of the area as a forward or buffer zone if they permitted independent governments to replace the present Soviet-controlled regimes.

c. Loss of control over the Satellite area would make it impossible for the USSR to prevent unification of Germany or to exert major influence over the future policy of a reunited Germany. This would represent abandonment of one of the principal goals of Soviet postwar policy in Europe.

12. Confronted with the conflict between Soviet interests and Satellite aspirations, the Soviet leaders have found it difficult to formulate policies which reduce this conflict to manageable proportions. For a time they attempted a policy of lessening direct Soviet controls and permitting, and in some cases encouraging, local regimes to make concessions to popular sentiment. The upheavals in Poland and Hungary have demonstrated to the Soviet leaders the dangers of such a course. They can return to a policy of rigid police terror by directly controlled local regimes in an effort to prevent the development of situations where resort to military force becomes unavoidable. But this course would give no hope of overcoming the problems which were inherited from Stalin, and would now in fact increase popular dissidence, further retard economic activity, and again damage the USSR's propaganda position.

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13. The case of Poland brings into sharp focus the continuing conflict between Soviet interests and security requirements on the one hand, and Polish nationalist aspirations and popular demands on the other. The success of Gomulka in the inner party struggle in October was due mainly to his pledges to abandon Poland's slavish adherence to Moscow, a position which commanded extensive popular support. In fact, the new leadership gained power by what was in effect a coup d'etat against pro-Soviet elements and against the Soviet power apparatus in Poland. Not only do the Soviet leaders mistrust Gomulka and his colleagues because of the experiences of October, but they must doubt the will and ability of many of the elements associated with him to maintain a regime acceptable to the USSR, especially in view of the involvement of almost the entire population in the open expression of anti-Soviet sentiments. Even in October, the Soviet leaders considered and came within an ace of actually undertaking the outright use of military force. They probably continue to be uneasy over the degree of independence which the current Polish leadership apparently intends to exercise.

ECONOMIC SITUATION OF THE SATELLITES

14. Underlying the general crisis in the European Satellites are economic difficulties which stem directly from the imposition of Soviet methods and policies. Although most Satellites are poorly endowed with the variety of resources needed for industrialization on the Soviet pattern, all have been required to imitate the USSR in giving first priority to heavy industry. This policy has resulted in rapid industrial growth, particularly in engineering industries, but at the expense of other sectors. Even in industry, production is high in cost, low in quality, and plagued by chronic shortages of raw materials. Soviet economic demands have imposed a further burden. These difficulties, coupled with poor planning and management, have subjected the Satellite economies to strains which now are increased by the pressure to raise living standards significantly.

15. The past high rate of defense outlays and investment in heavy industry was made possible by maintaining depressed living standards involving neglect of production of consumer goods and housing. The accompanying inflationary pressures required heavy taxes, forced saving, price controls, and in some instances outright rationing, all of which aggravated popular discontents and seriously reduced worker incentives.

16. Because of the neglect of agriculture in favor of industry and the effects of collectivization, the area has moved from a food surplus to a food deficit position. Dependence on imports of food, difficulties in grain collection, and poor distribution in urban centers have created food stringencies and in many instances real hardship.

17. Economic difficulties have been aggravated by disruption of traditional trading relationships. Prewar exports of food products and industrial raw materials have given way to imports. Meanwhile, the consumer goods industries which formerly provided foreign earnings have been neglected in order to expand the engineering industries, which compete much less successfully in Western markets. Reorientation of Satellite trade towards dependence on the USSR, although it partially fulfilled Satellite needs for raw materials and markets, occurred on terms unfavorable to the Satellites. Trade difficulties were increased by the Satellite obligation to service debts incurred by their forced purchase from the USSR of so-called German assets in their territories which the USSR seized at the end of World War II. This combination of circumstances has further drained the Satellites of domestically produced goods and has weakened their foreign exchange position.

18. Since 1953 the Satellites have sought to revise national plans so as to reduce disproportions (a) between raw material availability and production capacity, (b) between industrial output of producer and consumer goods, and (c) between agricultural and industrial production. These efforts have been hampered by popular distrust and by the resistance of doctrinaire leaders intent upon adhering to the Soviet economic pattern. These

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revisions, which include an attempt to accelerate the integration of the Bloc economies, have now been overtaken by the disruptive political events in Poland and Hungary. The inability of these two countries to meet their commitments has probably invalidated existing economic plans in greater or lesser degree in all the Satellites. For the moment, the Satellites have been driven to rely upon Soviet credits and emergency bilateral trade agreements with the USSR to rescue their economies from critical raw material bottlenecks and at the same time to provide stop gap markets for machinery.

INTERNAL POLITICAL SITUATION OF THE VARIOUS SATELLITES

19. *Poland.* The Polish leadership is facing serious internal problems. Although the regime has maintained the substantial degree of internal autonomy it won from the USSR last October, the initial enthusiasm it aroused has probably been restrained by the necessity to emphasize solidarity with the USSR, to accept the continued presence of Soviet troops in Poland, and to halt political reforms short of the hopes aroused in October. The popular support given the regime in the recent elections rested mainly on the widespread belief that it is the only government which can make some defense of Polish national interests and still not provoke Soviet military intervention. The regime appears to have made considerable progress in bringing the military and security organs under its effective control and in ousting many members of the pro-Soviet faction from party positions. Nevertheless, it still has far to go in rebuilding a loyal party and administrative apparatus at the local level, and there are still many middle-level and politburo-level party figures who might be willing to support Soviet efforts to undermine Gomulka's position. His recent election success, however, has placed him in a stronger position to deal with opponents within his party.

20. The regime has not been able to overcome the effects of a deteriorating economic situation, which is characterized by a decrease in exports attendant on a decline in coal production, difficulties in collecting food from the peasants, and a partial industrial disorganization resulting from the weakening of central authority and the spontaneous establishment of workers' councils. Thus the regime has been faced with a weakened economy at a time when it is pledged to gratify long-contained popular desires for better standards of living.

21. *Hungary.* Most of the active resistance in Hungary has been weakened by attrition and suppressed by increasingly firm Soviet-sponsored security measures. Popular bitterness, however, remains undiminished and passive resistance and economic noncooperation have abated only slightly. There is evidence that most government employees are not loyal to the regime and that organized antiregime groups continue to exist and to maintain communication with each other. In its recent declaration of policy, the Kadar regime confirmed its complete puppet status and thus further reduced its chances of winning new adherents. The regime's main difficulty at present is in reconstituting dependable indigenous party cadres able to maintain its authority throughout the country without the presence or proximity of substantial Soviet armed strength. Its problems are complicated by severe economic dislocation in the wake of the almost complete breakdown in production discipline in mines and factories during the past few months. It has felt compelled to scrap the scheduled five-year plan altogether, and to concentrate its efforts on re-establishing a minimum level of economic activity.

22. *East Germany.* Popular disaffection in East Germany continues at a high level and has increased in the wake of developments in Poland and Hungary. Some unrest continues among the large urban working class, and increased antiregime agitation among students and intellectuals has led recently to stern countermeasures. The regime's problems are increased by the failure to expand food supplies in the face of a promised end to rationing and by the decline in imports of Polish coal. Nevertheless, pressures for violent change in East Germany are still held in check by the presence of 22 Soviet divisions.

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Although there are probably differences of opinion in the leadership of the East German party on questions of economic policy and First Secretary Ulbricht's dictatorial role in the party, most party officials appear to have rallied around the leadership in response to the need for solidarity vis-a-vis a basically anti-Communist populace. Solidarity between Moscow and the Stalin-installed East German leadership has been reaffirmed in the recent Soviet-East German communique. The populace at present appears disinclined to risk revolutionary action in view of the harsh Soviet repression of the June 1953 uprising and the more recent Soviet action in Hungary.

23. *Czechoslovakia.* Although there was some open agitation for liberalization and greater independence last spring, in recent months the only overt indications of unrest have been some cautiously stated criticism of the leadership in literary journals and some ferment in Slovak party organizations. The demands of local party organizations for a party congress and of students and intellectuals for greater freedom were rejected by the regime during the summer. Traditions of caution and accommodation to the existing authority as well as a relatively prosperous economic situation apparently dissuaded the populace from attempting any action against the regime in the wake of the Polish and Hungarian crises. Anti-Soviet elements exist within the Czech party, but presently lack leadership on the national level. The absence of any important opposition political or religious figure to serve as a symbolic rallying point has aided the regime in fragmenting and dissipating popular opposition.

24. *Rumania.* While popular disaffection is only a little less widespread in Rumania than in Poland and Hungary, it appears to have no effective means of opposing the orthodox pro-Soviet regime of Gheorghiu-Dej. Sympathy for the Hungarian rebels was widespread, especially among the Hungarian minority. Agitation for change was vigorous among Rumanian students in the late autumn, and the chronic discontent of the predominantly peasant population was increased by poor crop returns. However, the lack of aggressive nationalistic traditions in Rumania, together with the uncompromising severity of the leadership and the intimidating presence of Soviet troops, has prevented the formation of effective pressures for change.

25. *Bulgaria.* Since Bulgaria traditionally has been closely linked to Russia, anti-Soviet feeling, while widespread, has tended to be less intense than in other Eastern European states. Nevertheless, popular dissatisfaction with the Communist regime has remained strong during the past year, and there appears to be some factionalism within the party leadership and discontent among prominent military figures. In the face of these developments, the top Bulgarian leaders appear to have subordinated their differences for fear that disunity at the top would undermine them collectively. Solidarity with the USSR has been vigorously reaffirmed, and tightened security measures have been invoked, including some rearrests of party figures pardoned of alleged Titoism. Thus, although Bulgaria has a national tradition which could serve as a basis for a national Communism movement, the top leadership appears to have united behind a policy of continued submission to the will of Moscow. Moreover, a common border with potentially hostile neighbors serves to some extent to balance desires for greater independence with interest in the protection afforded by the USSR.

26. *Albania.* Faced with a disaffected and economically depressed population and surrounded by unfriendly states, the Albanian Communist regime sustains itself by clinging to the ideological rigidity and police methods of the Stalin era. It is the only Satellite which has never recanted its anti-Titoist trials, and it seized upon recent Yugoslav-Soviet differences to renew direct attacks on Yugoslavia. The regime actively opposes internal liberalization or any greater autonomy, fearing that such tendencies would undermine the present leadership and lead to encroachments by Yugoslavia, Greece, or Italy. There is no known opposition within the party capable of effectively challenging the current leadership. However, the consistently harsh tone of the Albanian press since the Twentieth Party Con-

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gress and reports of some recent arrests and executions probably indicate apprehension about the extent of unrest in Albania and the firmness of Soviet protective guarantees.

PROBABLE DEVELOPMENTS

Soviet Policy

27. Because the Satellites will almost certainly continue to represent interests which the USSR considers vital to its security (see paragraph 11), we believe that Soviet policy will continue to be directed toward the maintenance of effective control over the area. Specifically, we believe that the Soviet leaders will not, at least during the next several years, seriously entertain the idea of a general political or military withdrawal from Eastern Europe, even in return for a withdrawal of US forces from Europe. It is possible, however, that there could eventually be some reduction or even complete withdrawal of Soviet troops stationed in one or another Satellite country if the USSR came to believe that the local regime was reliable and secure without such support.

28. Despite the firmness of the present Soviet attitude on control of Eastern Europe, contingencies could arise in which the USSR might be confronted with such serious alternatives that it would feel compelled to entertain the possibility of withdrawal. For example, in the unlikely event that the Soviet leaders believed themselves to be confronted with a choice between general war or withdrawal, it is possible that they would endeavor to negotiate the best possible terms for withdrawal. It is also conceivable that if the political and economic costs of maintaining control continue to rise, the USSR might eventually, given circumstances in which there was no immediate challenge to its prestige, consider withdrawal in return for substantial Western concessions with respect to European security, the German question, and the withdrawal of US forces. However, we do not believe that either these or any other combinations of circumstances which would alter the Soviet determination to retain control of Eastern Europe is likely to occur in the next several years.

29. We believe that the Soviet leaders have concluded from the events of recent months that allowing even limited concessions to nationalist pressures was unwise, and that they intend for some time to come to put primary emphasis on the internal security of the Satellite regimes and on Soviet control over them. This is indicated by the themes now being emphasized in Soviet propaganda: vigilance against reactionaries both at home and abroad, continuation of the class struggle, the dictatorship of the proletariat, and, above all, the unity of the socialist camp. Accordingly, there will probably be a further tightening of police controls and a renewed insistence upon Moscow's ideological authority. This renewed emphasis on repressive measures will probably be applied discreetly, however, with appropriate consideration for local requirements. A systematic, uniform, and provocative policy of repression would probably be regarded by the Communist leaders as disadvantageous, and possibly even dangerous in the wake of the Polish and Hungarian events. Nevertheless, the security of Communist regimes will clearly have priority in Soviet thinking, and all policies affecting the Satellites will be judged primarily for their effects on the security of those regimes.

30. The need to win broader popular acceptance for the Satellite regimes will continue to be felt, however, by both Satellite and Soviet leaders. They cannot achieve lasting stability for the regimes or make the desired progress toward their political and economic goals so long as the bulk of the populations remains disaffected. Nevertheless, for some time they will seek to avoid political concessions which would stimulate opposition. However, the Communist leaders evidently now believe that they can make some economic concessions without running this risk, and they will probably continue to make such concessions even at the cost of sacrificing earlier production goals.

31. A special Soviet policy is required in Poland, where the USSR no longer possesses direct control over Polish internal policy. The Soviet leaders are trying to regain this control, but the pro-Moscow faction in the Polish Communist party is not now strong enough

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to obtain compliance with Soviet views. The use of force by the USSR against the Gomulka regime would almost certainly be resisted by the bulk of the Polish nation and armed forces. The result would probably be the involvement of Soviet forces in large-scale military operations which could spread to East Germany and thus provoke a major international crisis.

32. Even though the costs and risks of military intervention are sufficiently high to convince the Soviet leaders that they must contain their dissatisfaction with Polish internal developments, the threat of such intervention nevertheless remains real enough to deter the Gomulka regime from encroaching on essential Soviet security interests. The regime will therefore continue to make its territory available for Soviet military uses, in particular a secure line of communications to East Germany, and to refrain from openly opposing the USSR and other Communist states on international issues. The Soviet leaders will probably accept this arrangement for the time being, since it meets their minimum security requirements and insures the continued existence of a Communist regime in Poland.

33. In our judgment, this arrangement will not, however, represent a long-run solution satisfactory to the Soviet leaders. It is possible that, at any time, they will conclude that their prospects for reimposing full authority by limited means are diminishing, and that developments in Poland are becoming increasingly dangerous to the Bloc. They might then decide to apply major political and economic pressures, and might eventually proceed to military measures. We believe it more likely that they will proceed more deliberately, hoping that, by taking advantage of Gomulka's economic and political difficulties and playing upon his dependence on the USSR for military supplies and economic help, they can rebuild the pro-Soviet faction within the Polish party and armed forces and restore a more reliable Communist regime. As a part of this effort, other Communist parties have been employed to put ideological pressure on the Gomulka regime.

34. A major problem for the Soviet leaders, if the present more nationalist leadership in Poland consolidates its position, will be to prevent Polish deviationist tendencies from spreading to other Satellites. In many respects — press freedom, relations with the church, the role of trade unions and factory worker councils, agricultural collectivization and procurement policies, political activity by non-Party groups, the allocation of production to consumer needs — the Polish regime is already heretic in terms of some of the doctrines and practices which prevail elsewhere in the Bloc. The question which the Soviet leaders as well as the leaders of other Satellites must ask themselves is whether these departures from the hitherto imposed uniformity of Communist policy can be safely tolerated. Both groups of leaders must see the danger that the Polish experiments, if they succeed, will set afoot further factionalism within other Satellite parties. The Soviet leaders probably fear that acceptance of the innovations introduced in Poland could lead to variations of doctrine and practice elsewhere which would ultimately be very difficult for the authoritarian Communist creed to contain. Not least of all, the Soviet leaders would be concerned that the liberalizing heresy could spread rapidly to the USSR itself. Therefore, they will maintain a steady pressure on the Polish regime to keep its reformist tendencies within an acceptable margin of conformity.

35. It is this same concern with the danger of ideological deviation which has led the USSR to drop for the time being its effort to associate Yugoslavia more closely with the Bloc. The Soviet leaders probably believe that Yugoslavia's influence, while not a primary cause, contributed to the troubles in Warsaw and Budapest. They probably also believe that their willingness to receive Tito with high honors and their eager efforts to re-establish party relations encouraged the belief in the Satellite parties that the USSR was willing to tolerate independent nationalist tendencies. The polemics with Belgrade since the Hungarian events make it clear that the Soviet leaders intend to repair their previous error. They probably feel that it is essential to resume the ideological isolation of Titoism,

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but in order to avoid strengthening Yugoslav ties with the West and alienating neutralist opinion they will probably seek to avoid a new break in state relations.

36. The attitude of Communist China will also be an important factor affecting Soviet policy toward the Satellites. The unprecedented involvement of Communist China in Eastern European affairs through Chou En-lai's recent trip reflects the importance that Communist China attaches to Bloc stability as well as the seriousness of Soviet difficulties. This involvement has placed Communist China in a position to exert greater influence over Soviet policy. Because of ideological affinity and military and economic dependence, the Chinese Communists have given strong support to Soviet policy toward the Bloc. Concerned, however, with both their own independence from Moscow and Communism's image in neutralist Asia, they have stressed the dangers of "great power chauvinism" and the importance of "national peculiarities." While endorsing repression in Hungary, Communist China has not joined in Soviet criticisms of the Polish press, and there is some evidence of Sino-Soviet differences on the issue of Poland. The Soviet leaders' freedom of action in Eastern Europe may be limited by the desire to maintain the approval and cooperation of Communist China.

37. Soviet military policy toward the Satellites will probably be changed somewhat as a result of the Polish and Hungarian developments. The Polish army supported the nationalist opposition and most Hungarian soldiers either went over to the rebellion or did not oppose it. The Soviet leaders probably now believe that for many purposes the reliability of these forces cannot be counted upon, and that, in circumstances where internal uprisings or foreign war raised hopes of attaining national independence, they might become an actual danger to Communist regimes.

38. The USSR will probably not in the future pursue a uniform policy of supporting maintenance of large Satellite armed force, but will adapt its military programs to local conditions. Intensive efforts will be undertaken to improve security controls within the Satellite forces, especially among higher officers.

Economic Plans and Prospects

39. General economic development in the Satellites for the next several years will probably permit only small increases in living standards, even if there are no further outbreaks of popular resistance. Improvements substantial enough to alter political attitudes toward the USSR and local regimes would require a fundamental overhauling of some institutions and policies. This would include such measures as a reduction in total investment and a redirection of investment programs in favor of housing, consumers goods, and agriculture; abandonment of collectivization and state trade channels; the revival of small private industry; and some redirection of trade away from Bloc partners to the West. Except in Poland, sufficiently radical steps in these directions will be very difficult for Soviet and Satellite leaders to accept, and attempts to undertake them would probably lead to factional disputes.

40. Nevertheless, while the regimes would probably gain little politically from moderate increases in consumer welfare, they have much to lose if they aggravate discontent by failing to achieve such increases or by permitting declines. Thus grudging concessions will be made, although they probably will not be far-reaching enough to reduce significantly the underlying disaffection of the population. Other countries are likely to follow Poland, Hungary, and Rumania in revising their long-term economic plans to insure that some gains for the consumer are in fact achieved. Institutional changes will probably be adopted in an effort to remove specific causes of friction, but administrative decentralization and an active role for workers' councils in industry cannot be carried very far without jeopardizing political control and fulfillment of plans. Wage and pension increases have recently been instituted in most countries, but these add to inflationary pressure at a time when the supply of goods is inadequate. Several Satellite regimes have declared their intention to continue pressures for collectivi-

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zation, a policy which will negate much of the effect of other concessions to the peasantry.

41. The general revision of Satellite plans, the impending revision of the USSR's Sixth Five-Year Plan, and the immediate economic dislocations caused by developments in Poland and Hungary will force the Bloc to take up again the difficult task of coordinating its economies. Poland will probably seek to direct a large share of its coal exports to Western countries, despite the needs of its Bloc trading partners. Other countries producing commodities readily marketable for hard currencies (such as Rumanian oil and Hungarian bauxite) might try to do the same, and several Satellites may seek to avoid those aspects of Bloc specialization which require them to develop uneconomic industries or to become unduly dependent upon their neighbors. Thus the effort through CEMA to subordinate national economic programs to an integration of the separate Bloc economies will probably be slowed.

42. Sufficient Soviet aid could, of course, help the Satellites through a period of readjustment. The USSR is waiving claims on many Satellite economies and bolstering them with hard currency loans and raw materials on long-term credit, concessions which thus far will cost it about $750,000,000 in 1957, and may be increased later in the year. Except for large grain shipments aimed at offsetting 1956 failures of Satellite harvests, these concessions will not produce important immediate results for Satellite peoples. The current reexamination in the USSR of its own five-year plan suggests that it would be reluctant to raise its aid to the Satellites much more. Thus, in addition to sanctioning or even suggesting a moderation of the industrialization effort in some Satellites, the Soviet leaders probably would not prevent the Satellites from expanding further their trade with the free world, particularly with the underdeveloped countries.

43. The Polish economy is presently plagued by general disorganization and low labor discipline. Provided these difficulties are removed, Polish long-range economic prospects will be somewhat better than those of most other Satellites because of Poland's potential for earning hard currency and its willingness to introduce radical economic reforms. The large majority of collective farms have already been dissolved, and many other measures of economic reform have been instituted or are being discussed. At best, these reforms will take time to produce improvements in living standards, and additional external economic assistance would be necessary to achieve prompt results. Poland has sought long-term credits from the West, although the Soviet leaders would almost certainly be uneasy if agreements for such credits on a large scale were made. Large-scale Western assistance to Poland would tempt other Satellites to seek similar assistance and might tend to undermine Bloc unity.

Political Stability

44. Prospects for political stability in Poland, although remaining uncertain, have been improved by the recent elections. The degree of internal liberalization and independence from the USSR achieved thus far does not satisfy many Poles, who submit to the rule of native Communists only in order to avoid Soviet military intervention. Gomulka's election victory, however, has strengthened his hand vis-a-vis the USSR and pro-Soviet elements in his own party and will probably enable him to move further towards satisfying domestic aspirations. Nevertheless, the balance between Soviet requirements and Polish desires will remain susceptible to upset by such factors as serious economic deprivations, provocative Soviet acts, a renewal of the open struggle within the Polish party, or a flareup of violence elsewhere in the Bloc. Political stability would be considerably enhanced by an early improvement in living standards, but this depends upon completion of extensive economic reforms, the restoration of labor discipline, and probably on foreign assistance as well.

45. In Hungary, the reimposition of political authority will continue to depend upon the regime's use of force. Fear of encouraging another uprising will prevent the regime from granting the kind of concessions likely to

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reduce the hatred of Soviet domination. This hatred will be strengthened by the decline in living standards which appears unavoidable in 1957. The regime will continue to be no more respected than its Stalinist predecessor, and its demands will encounter widespread apathy and evasion. However, exhaustion and the continued presence of Soviet troops will probably prevent another general uprising. Because antiregime sentiment is so widely and consciously shared, however, passive resistance will probably continue and might at any time flare up into a general strike or other overt acts which could bring renewed violence.

46. While discontent is high in all the other Satellites, none seems likely to manifest that combination of party disunity and popular boldness which led to the Polish and Hungarian revolutions. A potential threat to political stability currently exists in East Germany, where a fuel shortage has caused difficulties which may lead to serious economic disruptions possibly followed by strikes, riots, or both. We believe, however, that Soviet forces there are sufficient to discourage a general rising or to suppress it quickly should it occur.

47. Over the next several years, tensions between the Satellite regimes and their populations are likely to be generally higher than prior to the events in Poland and Hungary. The intimidating effect of the repression in Hungary probably will be overshadowed by the disappointment of expectations for economic improvement, by the inability to grant meaningful political reforms without encouraging extreme demands, and by the continued employment of strict censorship and at least a modified form of police terror. While there will continue to be some danger of revolt in the Satellites during the next few years, we believe it more likely that major violence will be avoided and that, if it should break out, the USSR will move forcefully to suppress it.

48. The willingness of the Hungarians to oppose Soviet military force and their success in carrying out slowdowns and sitdown strikes have forced a new appraisal of the effectiveness of armed totalitarian power in intimidating opposition. The political, economic, and even military costs of armed intervention will lead the USSR to make every effort to prevent situations from arising in which this is the only Soviet alternative. On the other hand, the bloody reprisals in Hungary will give pause to rebellious elements there and in the other Satellites.

49. The success or failure of the Gomulka regime in Poland will greatly influence the future role of nationalist-oriented elements which continue to exist in most of the Satellite Communist parties. So long as Poland maintains its present course, nationalists in other Satellite Communist parties will be encouraged to seek substantial gains in autonomy, while the USSR will try to suppress moves in this direction. In these circumstances, nationalist elements may act not only to disrupt party unity but also, as in Hungary, to stimulate general resistance within the population, although the USSR would probably take whatever measures were necessary to maintain its control. It is also possible, however, that nationalist elements, for example in Czechoslovakia or Bulgaria, may act in less disruptive ways, and gradually achieve control of party organizations in a manner that would be difficult for the USSR to prevent. The reimposition by the USSR of complete control over Poland would probably not extinguish the forces of nationalism in the Satellite Communist parties, but these elements would be obliged to curtail their aspirations considerably and would for some time have to accept only such limited concessions as the USSR was willing to grant. In any case, we believe that the persistent causes of popular disaffection in the Satellites will continue to be present.

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